India embraces quick commerce

Kirana shops have been a hardy tribe, thriving and growing despite challenges from new retail formats since 1991. But now, they face real competition with quick commerce (QC) spreading its tentacles. Flipkart Minutes, the newest entrant in this space, says it will take the game to small towns and others will probably follow suit.

QC is the old *kirana* on steroids. In their heyday, *kiranas* were the original QC backbone of India. Ubiquitous and next door, they delivered your phoned-in orders immediately, or you could send someone to the shop and back in under 10 minutes. They offered customer intimacy that helped them easily hold their own against impersonal modern trade. My regular *kirana* owner of those days called to ask if I was buying from someone else, noticing five expensive food items were absent from my purchases (a child had left home for college). He offered credit, kept two packs of my rare but favourite tea brand, and while he took every chance to make an extra buck off me if I wasn't vigilant, we shared a deep bond.

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In the last 20 years, real estate prices have forced kiranas to leave prime, higher-income neighbourhoods and their deliveries have suffered. As the number of new brands and variants multiplied, working capital needs increased. The larger *kiranas* modernised, dragged by large companies into their digital distribution chains and offered data and customer management tools. However, their customer service was slipping. Their business economics is predicated on the owner sitting in the shop — something the next generation is unwilling to do. As a frustrated *kirana* owner said of his son: "*wife ko Bangkok ya shaam ko movie lekar jaana hai, kaisa chalega dhandha*" (How will the business run if my son has to take his wife around?).

Into this opportune breach, stepped QC. It was an easy format for Consumer India to embrace, offering a new and better way of doing the familiar thing. QC offers fresh produce, some durables and electronics — products that *kiranas* cannot manage — and a smarter, faster ordering experience that delivers exceptional customer value. Unlike modern trade (Western-style supermarkets), QC does not demand the discipline of going to the store, finding your way through labelled aisles and standing in checkout queues. In the late 1990s, global consultants wrote premature obituaries of the *kirana*, reasoning "who could resist modernity?". However, the customer perceived the value of this modernity to be worse than that of the *kirana*. The economic model of modern trade (build scale, buy cheaper and sell cheaper) did not work well in India, given the heterogeneity of demand and high real estate costs. Some concepts specially designed for India, such as Big Bazaar, had traction but not enough to support scale.

The genius of the QC model is the hyper-efficient, fully digital back end. In theory, at least, it will make money with scale and smart product-mix management, and the realisation that burning cash to offer less and less time for delivery does not mean proportionately more and more value for the customer.

We have repeatedly seen that the Indian market does not evolve in the same way as others have. Consumer India's sweet spot is products that offer better function with familiar form. The packaged food revolution that other countries went through did not come to pass here. Instead, the shift away from the do-it-yourself model emerged via a zillion home cooks listed on WhatsApp groups and food delivery apps, aided by local courier services and enabling every kind of mix and match. Amazon is quite simply a far better Crawford market or its equivalent on the internet — offering greater comfort, efficiency, pricing, intimacy, service and support. QC accepts and manages how disorganised we are.

Kiranas will be around because of the vastness of India and the strategic choices QC companies may make. Many, however, will shut shop and pivot to other businesses, especially as the creamy layer of consumers and their consumption moves away. New, exciting Lilliput-challenger brands, which we increasingly see, are not going through the pain of distributing widely through *kiranas*, and settling instead for the growing, relatively affluent consumer pool offered by QC.

Our monster Consumer India just got more monstrous, with another shot in the arm. After the first phase of liberalisation in the 1990s — when the prices came down and quality went up (due to lower taxes, more competition) — came Chinese goods with great price-performance points and innovative everyday products that had not been seen before. Then came Amazon, with all its incredible merchandise assortment, prices and the ability to return anything you did not want. Now comes quick commerce. Even if QC is eventually contained, it will not be for a lack of customer enthusiasm but for a lack of supplier staying power and patience through the scaling period, or their shifting to a high-margin and high-ticket-size merchandising mix.

Consumer India leapfrogs in the most interesting ways, skipping stages of evolution other markets went through. Offer it customer-perceived superior value and do not demand that it change its ways, and you have a hit.

The writer is the author of *Lilliput Land: How Small is Driving India's Mega Consumption Story*